

NOTICE OF STAKING (Not to be used in place of Application for Permit to Drill Form 3160-3)		6. Lease Number U15054
1. Oil Well [] Gas Well [x] Other (Specify)		7. If Indian, Allottee or Tribe Name
2. Name of Operator: S & M PRODUCTION CO.		8. Unit Agreement Name
3. Name of Specific Contact Person: GALEN HELMKE WELL_SITE GEOLOGIST		9. Farm or Lease Name
4. Address & Phone No. of Operator or Agent 738 25 ROAD GRAND JUNCTION, COLO. 81605 303-242 0581 Home, 303-241 4213 OFF.		10. Well No. S & M 4-3
5. Surface Location of Well Sec. 4 T.20 S; R24 E. 660 from north, 1976 from west Attach: a) Sketch showing road entry onto pad, pad dimensions, and reserve pit. b) Topographical or other acceptable map showing location, access road, and lease boundaries.		11. Field or Wildcat Name GREATER CISCO
		12. Sec. 4 T.20 R24 N. SLM or Blk. and Survey or Area 660 from north 1976 from west
		13. County, Parish or Borough GRAND
15. Formation Objective(s) DAKOTA 1310 MORRISON 1520	16. Estimated Well Depth 1810	14. State UTAH
17. Additional Information (as appropriate; must include surface owner's name, address, and telephone number) 87499 SURFACE BLM GENE SUSSEX (OPERATOR) PO. BOX 2165 FARMINGTON, N.M. Ph. 505-325-2604 OFF. 505-325-5174 HOME		

18. Signed Galen Helmke Title WELL_SITE GEOLOGIST
Date SEPT. 25, 1990

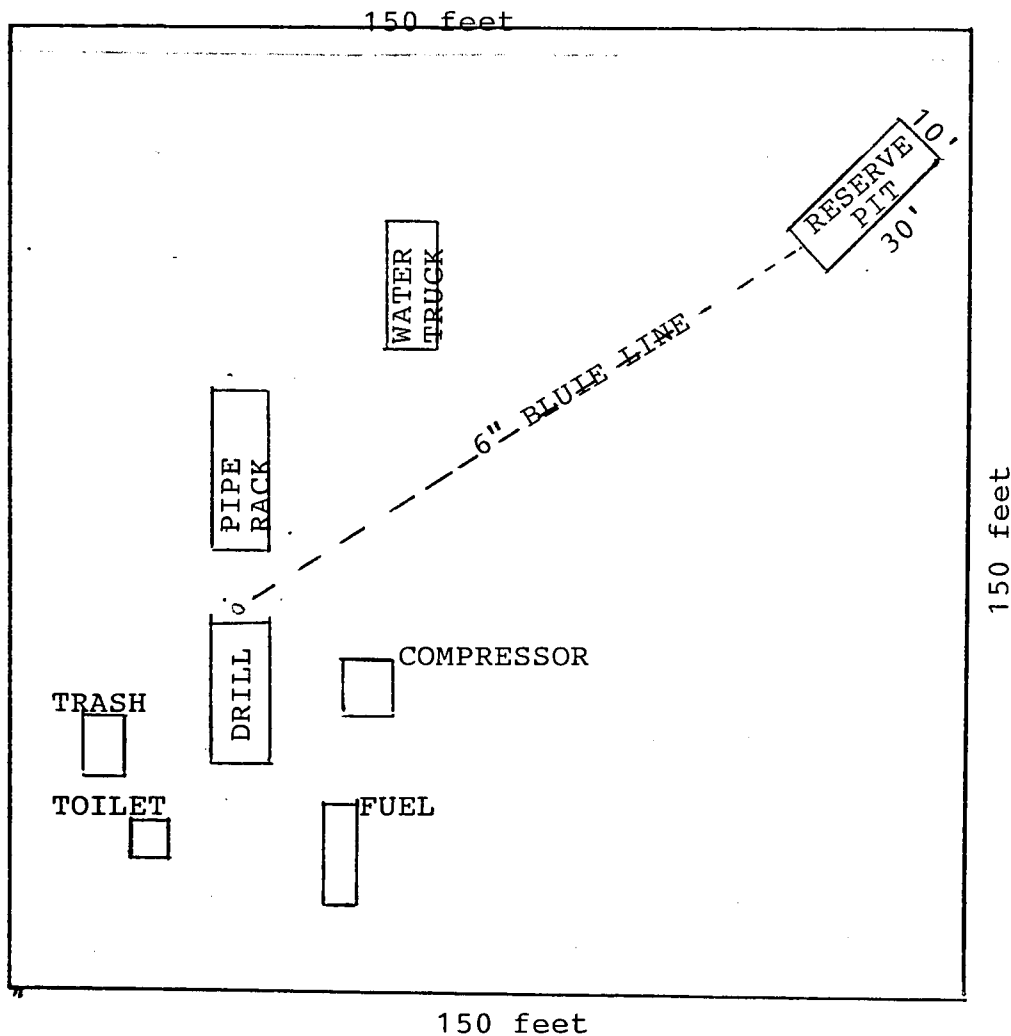
Note: Upon receipt of this Notice, the Bureau of Land Management (BLM) will schedule the date of the onsite predrill inspection and notify you accordingly. The location must be staked and access road must be flagged prior to the onsite.

Operators must consider the following prior to the onsite:

- a) H₂S Potential
- b) Cultural Resources (Archaeology)
- c) Federal Right-of-Way or Special Use Permit

(IMPORTANT: SEE REVERSE SIDE FOR INSTRUCTIONS)

S & M PRODUCTION CO.
SECTION 4, T.20 S; R.24 E.
GRAND COUNTY, UTAH



Scale 1" = 30'

by
GALEN HELMKE

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

PLUG BACK ☐

b. TYPE OF WELL

OIL
WELL ☒

GAS
WELL ☐

OTHER

SINGLE
ZONE ☐

MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

S.M. Gas Production

3. ADDRESS OF OPERATOR

P.O. Box 2165 Farmington, New Mexico 87499

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

660 From North 8 1976 From West line

At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

8 miles Northeast of Cisco, Utah

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST

PROPERTY OR LEASE LINE, FT.

(Also to nearest drlg. unit line, if any)

660

16. NO. OF ACRES IN LEASE

40

17. NO. OF ACRES ASSIGNED
TO THIS WELL

40

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED,

OR APPLIED FOR, ON THIS LEASE, FT.

19. PROPOSED DEPTH

1840

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

4602 GR

22. APPROX. DATE WORK WILL START*

Dec 28, 1990

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
<i>11"</i>	<i>7 7/8</i>	<i>32</i>	<i>180</i>	<i>40 sacks</i>

RECEIVED

MAR 28 1991

DIVISION OF
OIL GAS & MINING

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED

Galen Helmske

TITLE

agent

DATE

Nov 28, 1990

(This space for Federal or State office use)

PERMIT NO.

/S/ WILLIAM C. STRINGER

APPROVED BY

Assistant District Manager
for Minerals

APPROVED BY

CONDITIONS OF APPROVAL

TITLE

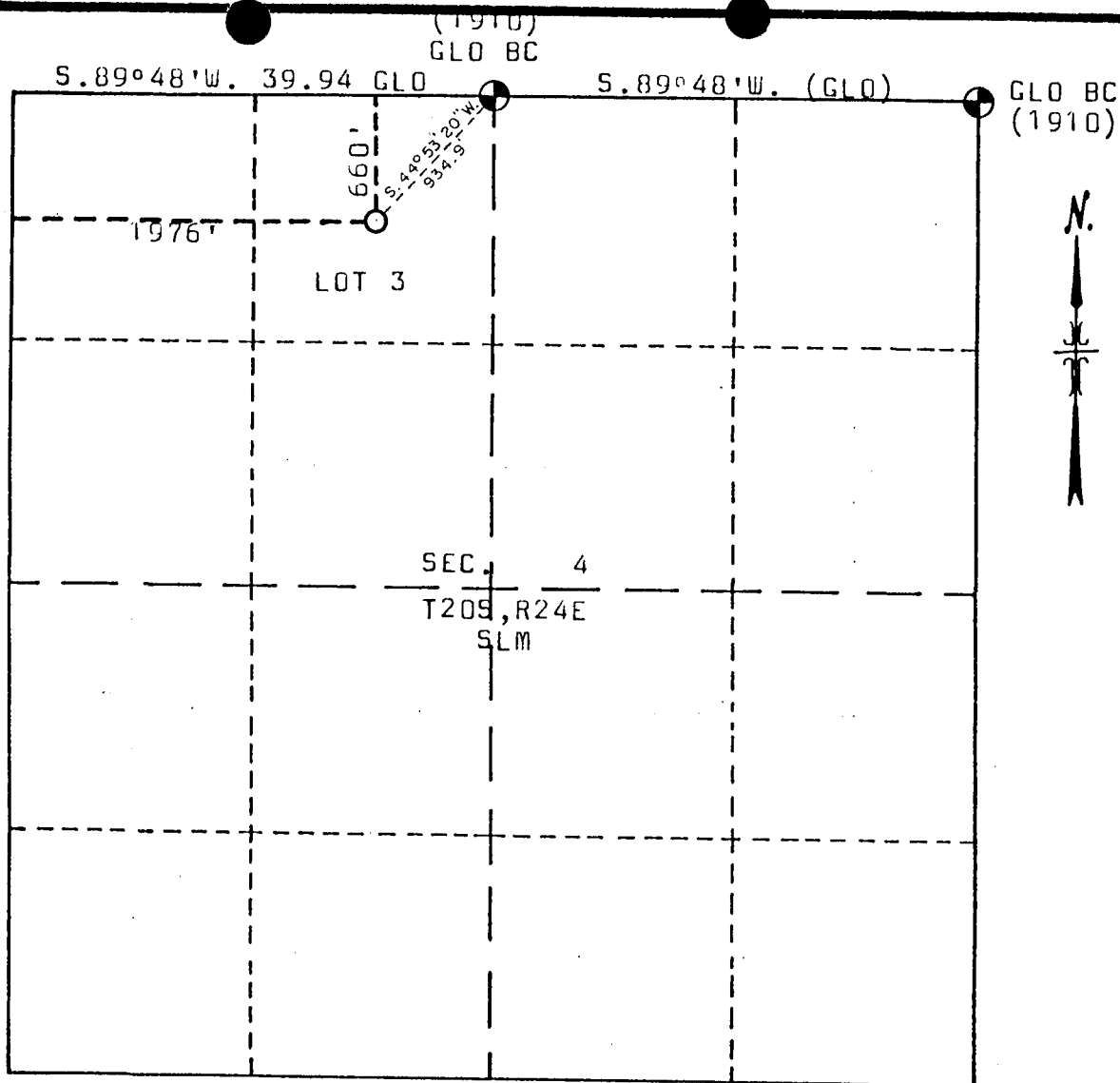
DATE

MAR 25 1991

GAS IS SUBJECT TO NTL 4-A
Dated 1/1/80

CONDITIONS OF APPROVAL ATTACHED

*See Instructions On Reverse Side

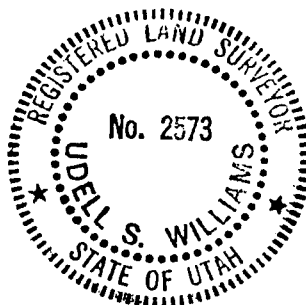


S&M 4-3

Located 660 feet from the North line and 1976 feet
from the West line of Section 4, T20S, R24E, SLM.

Elev. 4602

Grand County, Utah



SURVEYOR'S CERTIFICATE

THIS IS TO CERTIFY THAT THE ABOVE PLAT WAS PREPARED
FROM FIELD NOTES OF ACTUAL SURVEYS MADE BY ME OR
UNDER MY SUPERVISION AND THAT THE SAME ARE TRUE
AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF

Udell S. Williams
Utah RLS No. 2573



UDELL S. WILLIAMS
Professional Land Surveyor
751 Rood Avenue (303) 243-4594
Grand Junction, Colorado 81501

PLAT OF
PROPOSED LOCATION

S&M 4-3
LOT 3 SECTION 4
T20S, R24E, SLM

SURVEYED BY: USW DATE: 8/24/90

DRAWN BY: USW DATE: 8/25/90

SM Gas Production, Inc.
Well No. Govt-Staley #3
NENW Sec. 4, T. 20 S., R. 24 E.
Grand County, Utah
Lease U-15054

#4-3

CONDITIONS OF APPROVAL

Approval of this application does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Be advised that SM Gas Production, Inc., is considered to be the operator of the above well and is responsible under the terms and conditions of the lease for the operations conducted on the leased lands.

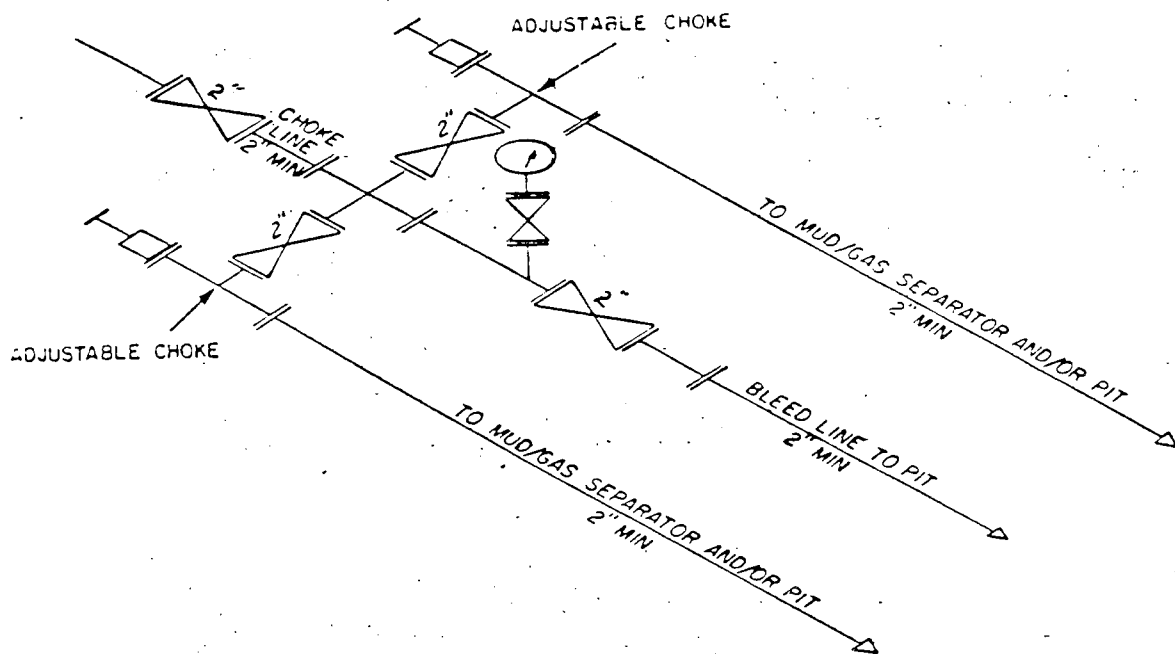
Bond coverage for this well is provided by UT0809 (Principal - SM Gas Production, Inc.) via surety consent as provided for in 43 CFR 3104.2.

This office will hold the aforementioned operator and bond liable until the provisions of 43 CFR 3106.7-2 continuing responsibility are met.

A. DRILLING PROGRAM

All lease operations will be conducted in full compliance with applicable regulations (43 CFR 3100), Onshore Oil and Orders 1, 2, 3, 4 and 5 and the approved plan of operations. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions and the approved plan will be made available to the field representative to insure compliance.

1. All fresh water and prospectively valuable minerals (as described by BLM at onsite) encountered during drilling will be recorded by depth, cased, and cemented. All oil and gas shows will be tested to determine commercial potential.
2. Surface casing shall be cemented back to surface either during the primary cement job or by remedial cementing.
3. BOP's and BOPE shall be tested, maintained and operated according to Onshore Order No. 2; 2000 lb system. See required choke manifold diagram enclosed.



2M CHOKE MANIFOLD EQUIPMENT — CONFIGURATION MAY VARY

4. Surface casing shall have a centralizer on each of the bottom three joints. (This approval condition is required until OOG0 No. 2 is revised /corrected.)
5. No hexavalent chromate additives will be used in the mud system in order to protect usable quality water aquifers.
6. Daily drilling and completion progress reports shall be submitted to the District Office on a weekly basis.

Company: S & M PRODUCTION
Well: 4-1, 4-2, 4-3, & 3-1
Section: 3/4, T. 20S., R. 24E.

ADDITIONS TO THE MULTIPPOINT
SURFACE USE PLAN
AND
RECLAMATION PROCEDURES

CONSTRUCTION:

1. The operator or his contractor will contact the Grand Resource Area Office in Moab, Utah (phone 801-259-8193) 48 hours prior to beginning any work on public land.
2. The dirt contractor will be furnished with an approved copy of the surface use plan and any additional BLM stipulations prior to any work.
3. Use of water from sources such as wells, springs, streams, or stock ponds for activities associated with this well will be approved, prior to use, by the agency or individual holding the water right.
4. Surface disturbance and vehicular travel will be limited to the approved location and approved access route. Any additional area needed will be approved in advance. Surface material will not be placed on the access road or location without prior BLM approval.

PRODUCTION

1. The reserve pit and that portion of the location and access road not needed for production or production facilities will be reclaimed in the methods described in the rehabilitation section. All of the stockpiled topsoil will be used in reclaiming the unused areas.
 2. The above-ground production facilities will be painted using the suggested color: SLATE GREY.
 3. The access will be to the design of a Class 111 road.
 4. Maximum new access travel width to each of the wells will be 15 feet. Vegetation will be left in place along the routes and driven over. Vegetation in the form of greasewood can be removed from the route to the 3-1 well. When production is determined for each well the access routes will be upgraded by adding water control structures where needed.
-
-
-
-

REHABILITATION

- 1). Immediately upon completion of drilling, the location and surrounding area will be cleared of all debris resulting from the operation. All trash will be disposed of in the trash pit/cage. Non-burnable debris will be hauled to a local dump site.
- 2). The operator or his contractor will contact the Grand Resource Area BLM office in Moab, Utah, phone (801-259-6111), 48 hours prior to starting rehabilitation work that involves earthmoving equipment and completion of restoration measures.
- 3). Before any dirt work to restore the location takes place, the reserve pit must be completely dry and any trash (barrels, metal ect.) it contains must be removed from public lands.
- 4). All disturbed areas will be recontoured to blend as nearly as possible with the surrounding area.
- 5). The stockpiled topsoil will be evenly distributed over the disturbed area.
- 6). All disturbed areas will be scarified with the contour to depth of six inches. Do not smooth pads out, leave a roughened surface.
- 7). Seed will be (broadcast/drilled) at a time to be specified by the BLM with the following seed prescription. When broadcast seeding, a harrow or some such implement will be dragged over the seeded area to assure seed cover.
- 8). After seeding is complete the vegetation and soil removed from each location during construction will be scattered over the disturbed area. Each well access will be blocked to prevent any vehicle use.
- 9). Waterbars will be used on all sloping surfaces as shown below:

<u>GRADE</u>	<u>SPACING</u>
2%	200 ft. spacing
2-4%	100 ft. spacing
4-5%	75 ft. spacing
+5%	50 ft. spacing

C. Anticipated Starting Dates and Notifications of Operations:

Required verbal notifications are summarized in Table 1, attached. Written notification in the form of a Sundry Notice (Form 3160-5) will be submitted to the District Office within twenty-four (24) hours after spudding. If the spudding occurs on a weekend or holiday, the written report will be submitted on the following regular work day.

Immediate Report: Spills, blowouts, fires, leaks, accidents, or any other unusual occurrences shall be promptly reported to the Resource Area in accordance with requirements of NTL-3A.

Should the well be successfully completed for production, the Assistant District Manager, Minerals Division will be notified when the well is placed in producing status. Such notification will be sent by telegram or other written communication, not later than five (5) business days following the date on which the well is placed on production.

If a replacement rig is needed for completion operations, a Sundry Notice (Form 3160-5) to that effect will be filed for prior approval from the District Office, and all conditions of this approved plan are applicable during all operations conducted with the replacement rig. In emergency situations, verbal approval to bring on a replacement rig will be approved through the District Office.

A first production conference will be scheduled within fifteen (15) days after receipt of the first production report. The Resource Area Office will coordinate the field conference.

A "Subsequent Report of Abandonment" (Form 3160-5) will be filed with the Assistant District Manager, Minerals Division within thirty (30) days following completion of the well for abandonment. This report will indicate where plugs were placed and the current status of surface restoration. Final abandonment will not be approved until the surface reclamation work required by the approved APD or approved abandonment notice has been completed to the satisfaction of the Area Manager or his representative, or the appropriate surface managing agency.

Approval to vent/flare gas during initial well evaluation will be obtained from the District Office. This preliminary approval will not exceed 30 days or 50 MMCF gas. Approval to vent/flare beyond this initial test period will require District Office approval pursuant to guidelines in NTL-4A.

Upon completion of approved plugging, a regulation marker will be erected in accordance with 43 CFR 3162.6.

The following minimum information will be permanently placed on the marker with a plate, cap, or beaded-on with a welding torch:

"Fed" or "Ind", as applicable. "Well number, location by 1/4 1/4 section, township and range". "Lease number".

TWELVE-POINT SURFACE USE PLAN OF OPERATIONS

1. There will be no deviation from the proposed drilling and/or workover program without prior approval from the Assistant District Manager. Safe drilling and operating practices must be observed. All wells, whether drilling, producing, suspended, or abandoned, will be identified in accordance with 43 CFR 3162.6.
2. "Sundry Notice and Report on Wells" (Form 3160-5) will be filed for approval for all changes of plans and other operations in accordance with 43 CFR 3162.3-2.
3. If a tank battery is constructed on the lease, it will be surrounded by a dike of sufficient capacity to contain 1-1/2 times the storage capacity of the largest tank in the battery.

NOTIFICATIONS

Notify Jeff Robbins/Elmer Duncan of the Grand Resource Area, at
(801) 259-8193 for the following:

- 2 days prior to commencement of dirt work, construction or reclamation;
- 1 day prior to spudding;
- 1 day prior to running and cementing surface casing;
- 1 day prior to pressure testing of surface casing.

Notify the Moab District Office, Branch of Fluid Minerals at (801) 259-6111
for the following:

No well abandonment operations will be commenced without the prior
approval of the Assistant District Manager, Minerals Division.
In the case of newly drilled dry holes, and in emergency situations,
verbal approval can be obtained by calling the following individuals,
in the order listed.

Dale Manchester, Petroleum Engineer	Office Phone: (801) 259-6111
	Home Phone: (801) 259-6239
Eric Jones, Petroleum Engineer	Office Phone: (801) 259-6111
	Home Phone: (801) 259-2214

If unable to reach the above individuals including weekends, holidays,
or after hours please call the following:

Lynn Jackson,	Office Phone: (801) 259-6111
Chief, Branch of Fluid Minerals	Home Phone: (801) 259-7990

24 HOURS ADVANCE NOTICE IS REQUIRED FOR ALL ABANDONMENTS

Moab District
P. O. Box 970
Moab, Utah 84532

3160
(UTU15054) 4-3
(U-065)

APR - 1 1991

Dr. E. H. Sussex
S.M. Gas Production Inc.,
P. O. Box 2165
Farmington, New Mexico 87499

Re: Variance Request from Onshore Order No. 2, 43 CFR Part 3160, BOPE and
Casing Test Requirements
Federal Lease No. UTU15054, Staley No.s 4-1, 4-2, 4-3 and 3-1 Wells
T. 20 S., R. 24 E., Sections 3 and 4
Grand County, Utah

Dear Dr. Sussex:

We have concluded our review of your request for a variance from Onshore Order No. 2. regarding pressure requirements on BOPs and casing test requirements regarding the four referenced wells. Based on the pressure data you have submitted, we hereby approve your variance under the following conditions. This variance applies only to the wells stated above. This variance applies only to those wells being drilled into the Morrison Formation or shallower formations. If you wish to drill deeper than the Morrison Formation, additional pressure control equipment will be required so that drilling operations are in compliance with the minimum requirements of Onshore Order No. 2.

If higher than anticipated pressures are discovered during drilling operations (i.e., greater than 1000 psig shut-in pressure), this variance will be considered nullified. Any further drilling operations shall be discontinued until S.M. Gas Production, Inc. can demonstrate to the BLM that its drilling equipment/BOPE are in compliance with the minimum requirements of Onshore Order No. 2.

Please be advised this variance does not relieve S.M. Gas Production, Inc. of the remaining requirements of Onshore Order No. 2.

If you have any questions, please contact Dale Manchester in the Road District Office at (301) 259-6111.

Sincerely yours,,

ISI Brent Northrup

Assistant District Manager,
Mineral Resources

Enclosure:

Copy Onshore Order No. 2, 43 CFR Part 3160

ACTING

cc:

U-069, Grand Resource Area Office (w/o Encl.)

Galen Helmke, Agent for S.M. Gas Production, Inc. (w/Encl.)

739 27 Road

Grand Junction, CO 81505

bcc:

U-065, DManchester (w/o Encl.)

U-922, Utah State Office (w/o Encl.)

Well file (w/o Encl.)

Variance file (w/o Encl.)

Wang Maintenance, Freudiger (delete)

DManchester:py 3/29/91 Wang #2959f

CH

3162 (U-065)
(U-15054)

Moab District
P. O. Box 970
Moab, Utah 84532

JUN 12 1992

SM Gas Production
P. O. Box 2165
Farmington, New Mexico 87499

Re: Rescinding Application for Permit to Drill
Well No. Govt Staley #3
NENW Sec. 4, T. 20 S., R. 24 E.
Grand County, Utah
Lease U-15054

Gentlemen:

The Application for Permit to Drill the referenced well was approved on March 25, 1991. Since that date, no known activity has transpired at the approved location.

Applications for permit to drill are effective for a period of one year. In view of the foregoing, this office is rescinding the approval of the referenced application.

Should you intend to drill at this location at a future date, a new application for permit to drill must be submitted.

If you have any questions, please contact the Branch of Fluid Minerals at (801) 259-6111.

Sincerely yours,

/S/ WILLIAM C. STRINGER

Assistant District Manager
Mineral Resources

Enclosure:
Application for Permit to Drill

cc: Grand Resource Area, U-068 (w/o encl.)
State of Utah, Division of Oil, Gas and Mining (w/o encl.)

VButts:vb:6/9/92

RECEIVED

JUN 15 1992

DIVISION OF
OIL GAS & MINING

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

PLUG BACK ☐

b. TYPE OF WELL

OIL
WELL ☒

GAS
WELL ☐

OTHER

SINGLE
ZONE ☐

MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

S.M. Gas production

3. ADDRESS OF OPERATOR

P.O. Box 2165 Farmington, New Mexico 87499

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

660 From North & 1976 From West line

At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

8 miles Northeast of Cisco, Utah

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.

660

(Also to nearest drlg. unit line, if any)

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

16. NO. OF ACRES IN LEASE

40

19. PROPOSED DEPTH

1840

17. NO. OF ACRES ASSIGNED
TO THIS WELL

40

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

4602 GR

22. APPROX. DATE WORK WILL START*

DEC 28, 1990

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
11"	7 7/8	32	180	40 sacks

RECEIVED

JUN 22 1992

DIVISION OF
OIL GAS & MINING

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED

Galen Helmke

TITLE

agent

DATE

NOV 28, 1990

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

Assistant District Manager

APPROVED BY

William C. Huggins

TITLE

for Minerals

DATE

3/25/91

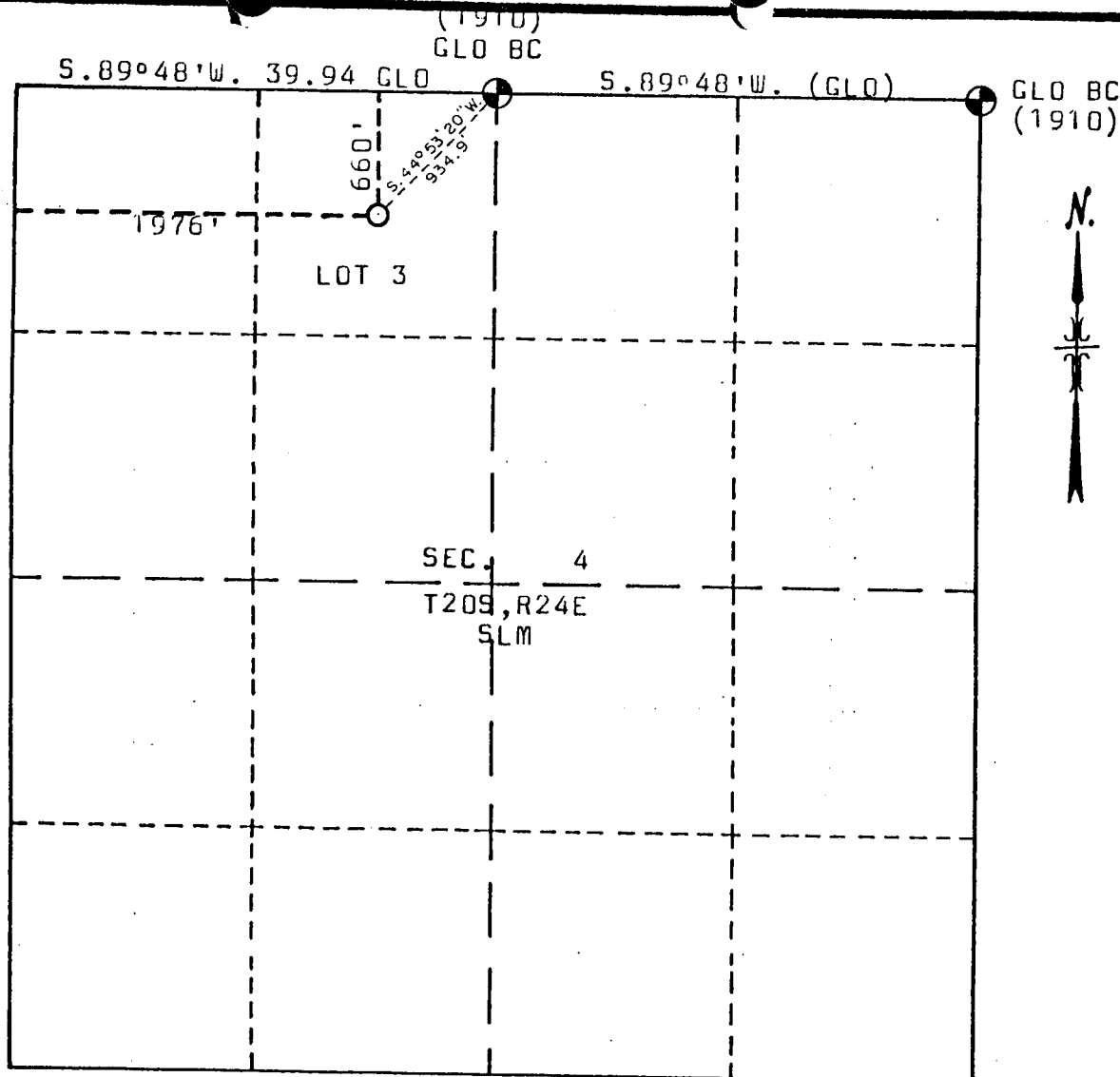
CONDITIONS OF APPROVAL, IF ANY:

FLARING OR VENTING OF
GAS IS SUBJECT TO NTL 4-A

Dated 1/1/80

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.



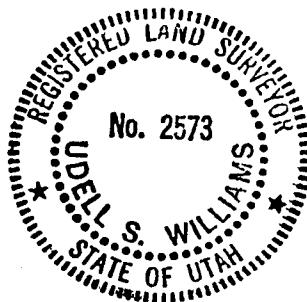
1000 0 1000
SCALE: 1" = 1000'

S&M 4-3

Located 660 feet from the North line and 1976 feet
from the West line of Section 4, T20S, R24E, SLM.

Elev. 4602

Grand County, Utah



SURVEYOR'S CERTIFICATE

THIS IS TO CERTIFY THAT THE ABOVE PLAT WAS PREPARED
FROM FIELD NOTES OF ACTUAL SURVEYS MADE BY ME OR
UNDER MY SUPERVISION AND THAT THE SAME ARE TRUE
AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF

Udell S. Williams
Utah RLS No. 2573



UDELL S. WILLIAMS
Professional Land Surveyor
751 Rood Avenue (303) 243-4594
Grand Junction, Colorado 81501

PLAT OF PROPOSED LOCATION

S&M 4-3
LOT 3 SECTION 4
T20S, R24E, SLM

SURVEYED BY: USW DATE: 8/24/90
DRAWN BY: USW DATE: 8/25/90

DRILLING AND SURFACE USE PLAN

S & M PRODUCTION

WELL NAME; STALEY # 3

LEGAL DESCRIPTION; NE/NW SECTION 4, T.20 S;R.24 E.
GRAND COUNTY, UTAH

All lease operations will be conducted in such a manner that full compliance is made with applicable laws, regulations (43 CFR 3100), Onshore Oil and Gas Order #1, and the approved plan of operations. The Operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished the field representative to ensure compliance.

A.) DRILLING PROGRAM

1.) Surface formation and estimated formation tops:

Mancos Shale: 0-'1375
Dakota : 1375'
Morrison : 1575'
Salt Wash : 1850'

2.) Estimated depth at which oil, gas or water producing zones are expected to be encountered:

	Formation	Depth
Oil Zones:	B. Basin - Morrison	1375-1450
	Salt Wash	1825-1875
Gas Zones:	Dakota	1575-1600
Water Zones:	Dakota	1425

3.) Pressure Control Equipment: Drill hole will be equipt with a "Regan Torus" 3000 psi. Annular BOP together with a set of pipe and blind rams and sufficient accumulator.

1 choke line manifold consisting of 2 - 2" valves, 2" chokes and a 2" kill line directed into the reserve pit. Choke manifold will be equipt with a pressure gauge.

Float subs will be used in the drill string. Upper kelly cock valve will also be in place.

In the event the BOP or BOPE requires repair after testing, this work will be preformed prior to drilling out from under surface casing.

If the BOP or BOPE equipment cannot function to secure hole during drilling, the well will be contained using either 10# Salt Water Brine, cement or other means which will assure safe well conditions.

BOP system will be consistent with APT RP 53. Pressure tests will be conducted before drilling out from under any casing string which has been cemented in place. BOP controls will be installed prior to drilling the surface casing plug and will remain in place until the well is completed or abandoned. BOP will be inspected and operated daily to ensure good mechanical working condition. Inspections will be noted in drillers reports.

4.) Casing Program:

Surface casing: 180 ft. with 40 sacks cement.

Production casing: 1500 ft. with 65 sacks cement.

5.) Mud and circulating medium : Well will be air or air/mist drilled. Adequate mud reserve tank and pump will be on location in the event it becomes necessary to mud drill.

6.) Coring, Logging and Testing program: No logs are anticipated. Samples will be caught and recorded in 10 ft. intervals beginning at approx. 650 ft.

Whether the hole is completed as a " Dry Hole " or " producer ", a " Well Completion and Recompletion Report " (form 3160-4) will be submitted to the District Office within 30 days of completion of drilling activities, in accordance with 43 CFR 3164. Two copies of all logs, if any, well test data, geologic summaries, sample descriptions, and all other surveys or data obtained and compiled will be submitted with form 3160-4.

7.) Abnormal conditions, Bottom Hole Pressures and Potential Hazards : No H₂S has been encountered in the area and is not anticipated. BOP and BOPE is of adequate nature to control the maximum pressures expected.

8.) Anticipated Starting Dates and Notifications:

Required verbal notifications are summarized in table #1, attached. Written notifications in the form of a Sundry notice (form 3160-5) will be submitted to the District Office within 24 hours after spudding (weekends and holidays excepted).

In accordance with Onshore Oil and Gas Order #1, this well will be reported on Form 9-329, " Monthly Report of Operations ", starting with the month in which operations commence and continue each month until the well is physically plugged and abandoned. This report will be filed with the Minerals Management Service as required.

IMMEDIATE REPORTS:

Spills, blowouts, fires, leaks, accidents, or other unusual occurrences shall be promptly reported to the Grand Resource area.

ROP SYSTEM

HEAD

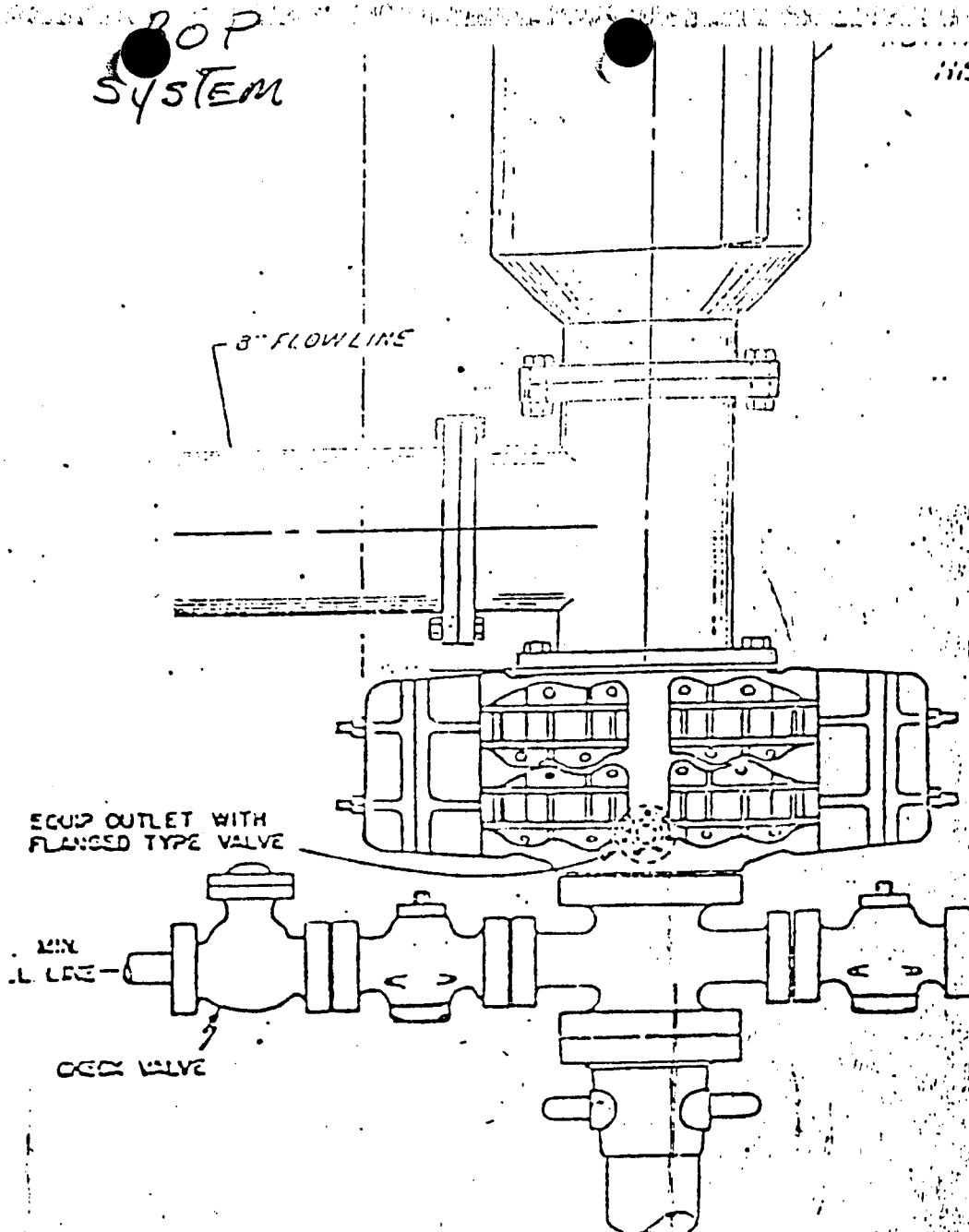
8" FLOWLINE

EQUIP OUTLET WITH
FLANGED TYPE VALVE

MIN
L. LEE

OPEN VALVE

SURFACE OR
INTERMEDIATE STRONG

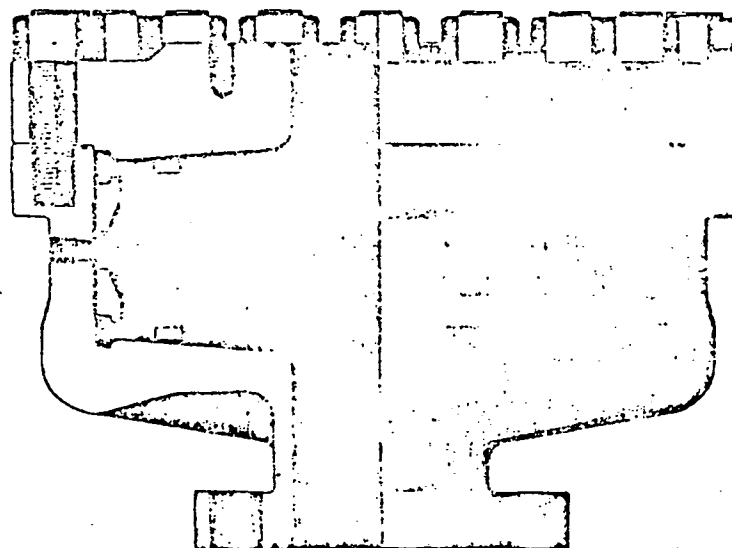


REGAN BLOWOUT PREVENTERS

The Regan Torus Blowout Preventer is used primarily on production and workover rigs for well control up to 3000 PSI working pressure.

DESIGN FEATURES

1. The Torus Preventer is designed for minimum height to facilitate its use with production and workover rigs.
2. The rubber packer will conform to any object in the well bore. Sealing ability is not affected by minor damage to the inner bore.
3. The packer will seal an open hole at full working pressure.
4. The dual packer design increases the reliability of the preventer since the outer rubber is never exposed to the well bore. Under ordinary service, the outer packer is rarely replaced.



TORUS BLOWOUT PREVENTER
PATENTED

SPECIFICATIONS

Nominal Size	Test Pressure (psi)	DIMENSIONS (in.)			Weight (lb.)	End Flanges (1)	R/RX (Ring Grooves)	Side Outlet
		Outside Diameter	Thru Bore	Overall Height				
12 1/2"	3000	24 1/2"	12 1/2"	104 1/2"	1300	Flange 6	45	None

(1) Bottom flange holes elongated for use with either 2000 or 3000 psi API-6B flange. (Also can be used with obsolete Ser. 400 API flange.) Top flange normally standard for 3000 psi API-6B.

in accordance with requirements of NTL-3A.

In the event the well is completed as an oil or gas well the District manager shall be notified in writing within five working days of said well being placed into production.

A " Subsequent Report of Abandonment " (Form 3160-5) will be filed with the District manager within 30 days following completion of the well for abandonment. This report will indicate where plugs were set and the current status of surface reclamation work required by the approved "APD" or approved abandonment notice has been completed to the satisfaction of the Area Manager or his representative, or the appropriate surface managing agency.

Approval to vent/flare gas during initial well evaluation will be obtained from the District Office. This preliminary approval will not exceed 30 days or 50mmcf. Approval to vent/flare beyond this initial test period will require District Office approval pursuant to guidelines in NTL-4A.

Upon completion of approved plugging, a regulation marker will be erected in accordance with 43 CFR 3162.6. The top of the marker will be closed or capped.

THIRTEEN POINT SURFACE USE PLAN

1.) Existing Roads:

A.) Location of proposed well in relation to the closest town or other reference point: Approximately 8 miles Northeast of Cisco, Utah.

B.) Proposed Access Route: Exit Hwy. 6 & 50 at a point East of Cisco onto a county road to Operators Right of Way # 54703 to the proposed location.

C.) Road Maintenance or Improvement Plans: Operator presently maintains the exiting Right of way and access roads as required. Construction of a short access road will be required from the existing R.O.W. to the location. In the event production is established this road will be upgraded to meet B.L.M. requirements. If the well is dry holed this road and location will be reclaimed as required.

D.) Other: Location may require slight leveling. All, if any, surface soil removed from location will be stockpiled on the West edge of the location.

2.) Planned Access Roads:

A.) The maximum total disturbance width will be 15 feet.

B.) Maximum Grade: minimal

C.) Drainage: As required to ensure road integrity.

Surface disturbance and vehicular travel will be limited to the approved location and access road. Any additional area needed will be approved by the Area manager in advance.

Location of Existing Wells: CLAYTON #2 NW /NE, SEC. 4, T.20 S; R. 24 E.4.)

Production Facilities:

All permanent structures constructed or installed will be painted a flat, nonreflective, earthtone color to match the standard environmental colors, as determined by the Rocky Mountain Five State Interagency Committee. All facilities shall be painted within six months of installation. Facilities required to comply with OSHA may be excluded. The present recommended color is SLATE GRAY.

If a tank battery is constructed on the lease, it will be surrounded by a dike of sufficient capacity to contain 1/2 times the storage capacity of the largest tank in the battery.

All load lines and valves will be placed inside the berm surrounding the tank battery.

All site security guidelines identified in Onshore Order #3 will be adhered to.

All off lease storage, gas measurement or commingling will have prior approval from the District manager.

All product lines entering or leaving hydrocarbon storage tanks will be effectively sealed.

Gas meter runs for each well will be located within 500 feet of the wellhead. The gas flow lines between the wellhead and meter run and from the meter run to a point off the well pad shall be buried. Meter runs shall be housed.

The oil and gas measurement facilities shall be located on the wellsite. The measurement facilities shall be calibrated in place prior to any deliveries. All meters shall be tested monthly for the first three months of production and every 90 days thereafter to ensure accuracy. The Grand Resource Area shall be notified, verbally, of the initial calibration test, and subsequent initial testing, prior to such testing. A copy of the calibration tests shall be provided to the Area manager upon request. All measurement facilities shall conform with the API standards for liquid hydrocarbons and the AGA standard for natural gas measurement.

5.) Location and Type of Water Supply:

All water needed for drilling purposes will be obtained from:
The Colorado River at Fish Ford.

Water permits, as required, shall be obtained from the appropriate agency, private land owner or the Utah Division of Water Rights.

6.) Source of Construction Material:

Pad construction material will be obtained from the staked location. The use of materials under B.L.M. jurisdiction will conform to 43 CFR 3610.1-3.. The source of construction material will be located on lease.

7.) Methods of Handling Waste Disposal:

All drilling cuttings and fluids shall be contained in an unlined pit located approximately 100 ft. from the drill hole. Three sides of the reserve pit shall be fenced prior to drilling out from under surface casing. Unless this pit is needed for and included as part of the permanent production facility it shall be filled and reclaimed as soon as possible after drilling activities end. If the pit is to be used as part of the production facility the fourth side shall be fenced and the required Sundry notice requesting permission for such produced waste water reserve pits shall be submitted to the District Office, in accordance with Onshore Order #3 (NTL-2B).

All trash shall be contained in a trash cage and removed at the end of the drilling program.

If burning is required, a permit shall be obtained from the State Fire Warden at 1-801-259-6316.

8.) Ancillary Facilities:

Camp facilities will not be required.

9.) Well Site Layout:

SEE ATTACHED DIAGRAM.

10.) Restoration Plans:

Immediately upon completion of drilling, the location and surrounding area will be cleared of all remaining debris, materials, trash and junk not required for production. All disturbed areas will be recontoured to the approximate natural contours. The stockpiled soil, if any, will be evenly distributed over the disturbed area.

Prior to seeding all disturbed areas will be scarified and left with a rough surface. Seed will be broadcast at a time specified by the B.L.M.. The seed mixture to be used shall be that which is recommended by the B.L.M.. All disturbed areas not need for production facilities shall also be reseeded.

11.) Surface and Mineral Ownership:

Proposed drill site is located on Federal Lease # U-15054.
S & M PRODUCTION is the Lessee and Operator of record.

12.) Other Information:

There will be no deviation from the proposed drilling program without the prior written approval of the District Manager. All drilling and completion activities shall be conducted in a safe and diligent manner. All wells drilling, producing or abandoned shall be properly identified in accordance with 43 CFR 3164.

" Sundry Notice and reports on wells " (form 3160-5) will be filed for approval for all changes of plans or other operations in accordance with 43 CFR 3164.

All subcontractors shall be provided a copy of the approved permit to drill including the dirt contractor. In the event any cultural resources are found during the operations all activities shall cease and the Area Manager notified of such findings.

This permit shall be valid for a period of one year from the date of approval. After permit termination, a new application will be filed for approval for any future operations.

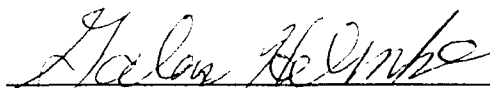
13.) Lessee's / Operators Certification:

S & M PRODUCTION P.O. BOX 2165 FARMINGTON, NEW MEXICO 87499

phone # 1-505-325-2604

home # 1-505-325-5174

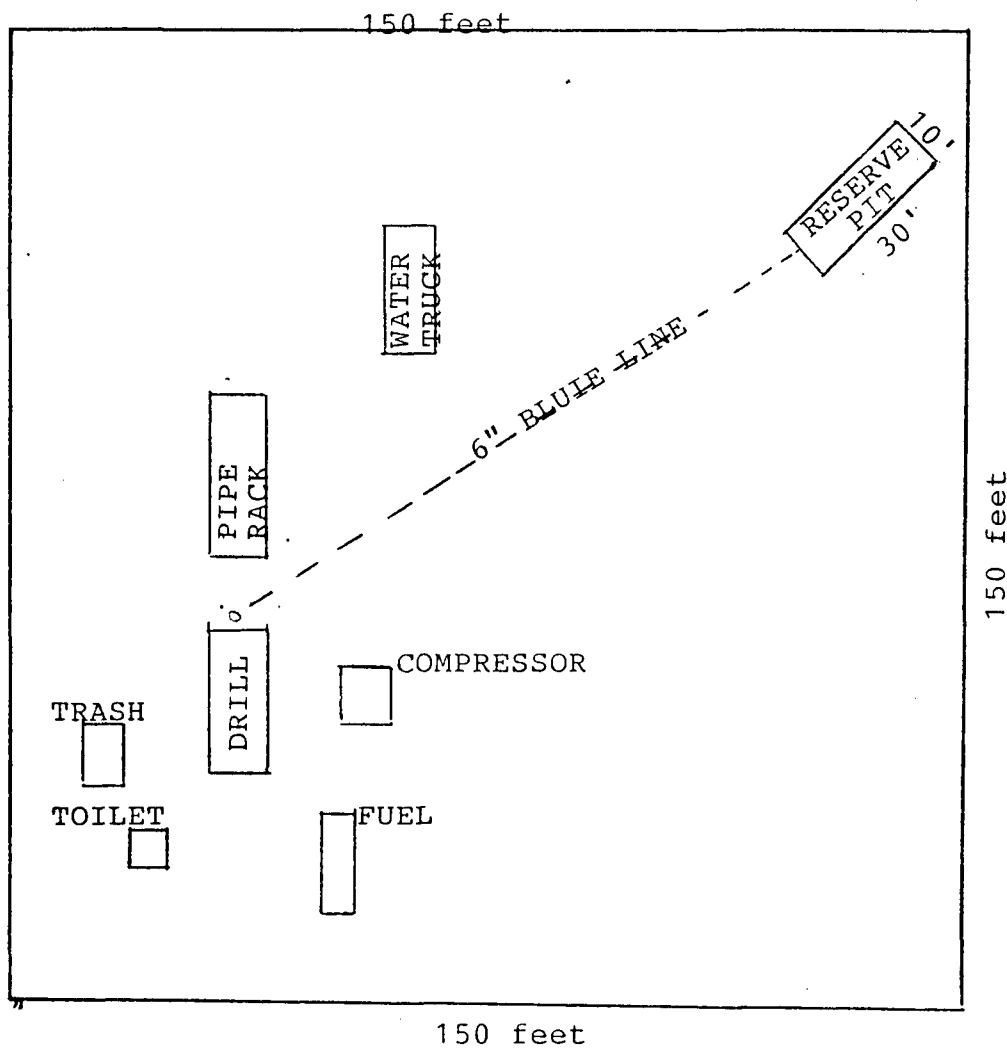
I hereby certify that the aforementioned corporation is the lessee of record and the operator of the lease/well discussed in this application. Bond coverage is provided by the Utah Statewide Bond #UT0140 presently on file with the B.L.M., I am familiar with the access route and planned activities; All the statements provided herein are true to the best of my knowledge and that all contractors involved in these operations are under my supervision and will be held accountable for their actions.



GENE SUSSEX, OWNER
GALEN HELMKE, AGENT
GRAND JUNCTION, COLO.

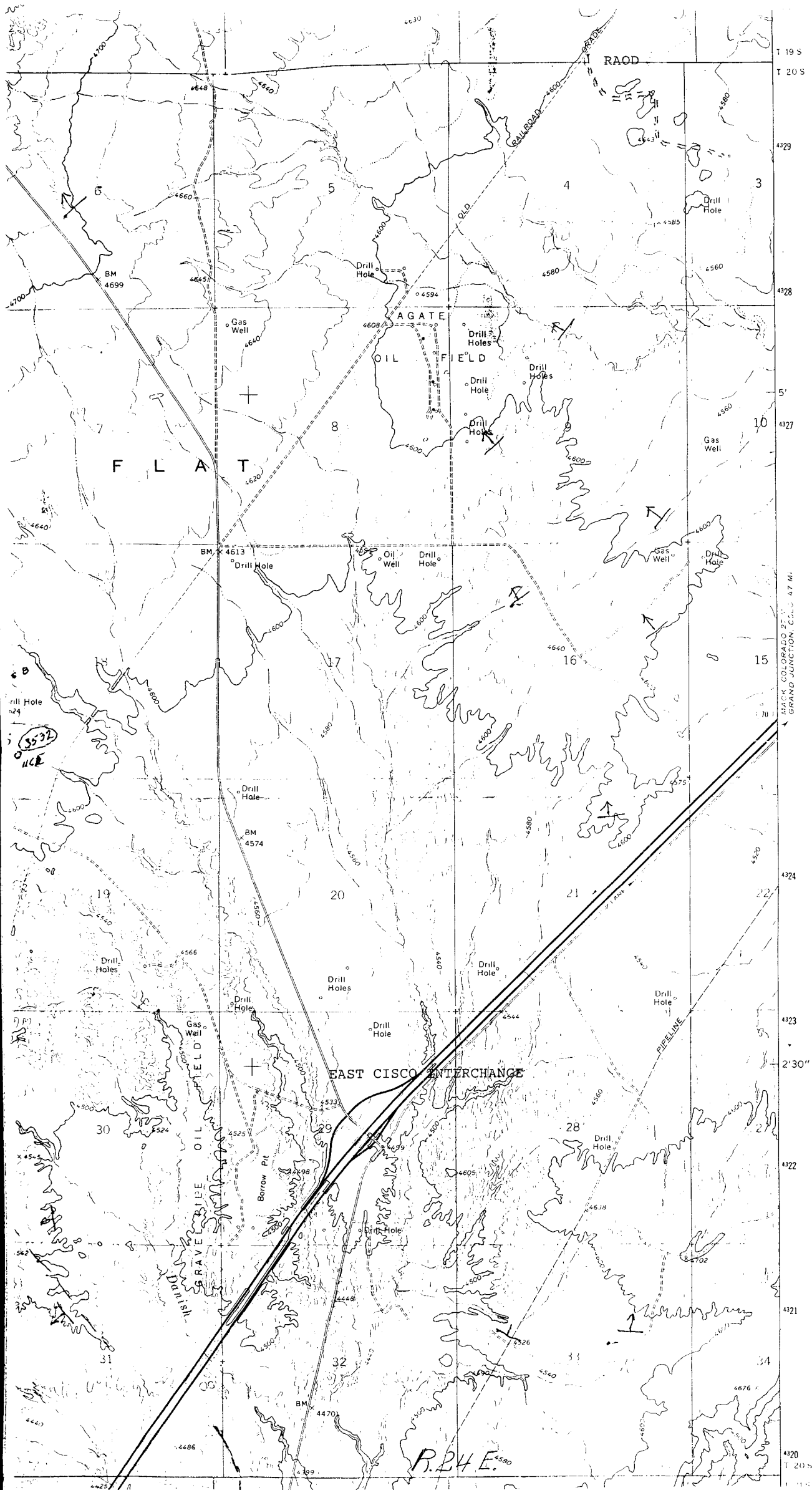
HOME 303-242-0581 OFF. 303-241 4213
738 25 ROAD, GRAND JUNCTION, CO.81505

S & M PRODUCTION CO.
SECTION 4, T.20 S; R.24 E.
GRAND COUNTY, UTAH



Scale 1" = 30'

by
GALEN HELMKE



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

5. Lease Designation and Serial No.

48-15054

6. If Indian, Allottee or Tribe Name

N.A.

7. If Unit or CA, Agreement Designation

SUBMIT IN TRIPLICATE

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator

S.M. Gas Production Inc.

3. Address and Telephone No.

P.O. Box 2165 Farmington, N.M. 87499

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

Sec. 4, T20S R24E

8. Well Name and No.

Govt. Staley

9. API Well No.

3

10. Field and Pool, or Exploratory Area

Greater Cisco

11. County or Parish, State

Grand, Utah

12. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- ☒ Notice of Intent
☐ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

- ☐ Abandonment
☐ Recompletion
☐ Plugging Back
☐ Casing Repair
☐ Altering Casing
☐ Other
☐ Change of Plans
☐ New Construction
☐ Non-Routine Fracturing
☐ Water Shut-Off
☐ Conversion to Injection
☐ Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

We plan to run 2 7/8" casing at 1500
& 7" at 150'

RECEIVED

JUN 22 1992

DIVISION OF
OIL GAS & MINING

14. I hereby certify that the foregoing is true and correct

Signed

William C. Hanger

Title

S.M. Gas Prod. Inc.

Date

3-18-91

(This space for Federal or State office use)

Assistant District Manager

Approved by

William C. Hanger

Title

for Minerals

Date

4/22/91

Conditions of approval, if any:

Approved 3/26/91
DHM

ALJ 4/22/91

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*See Instruction on Reverse Side

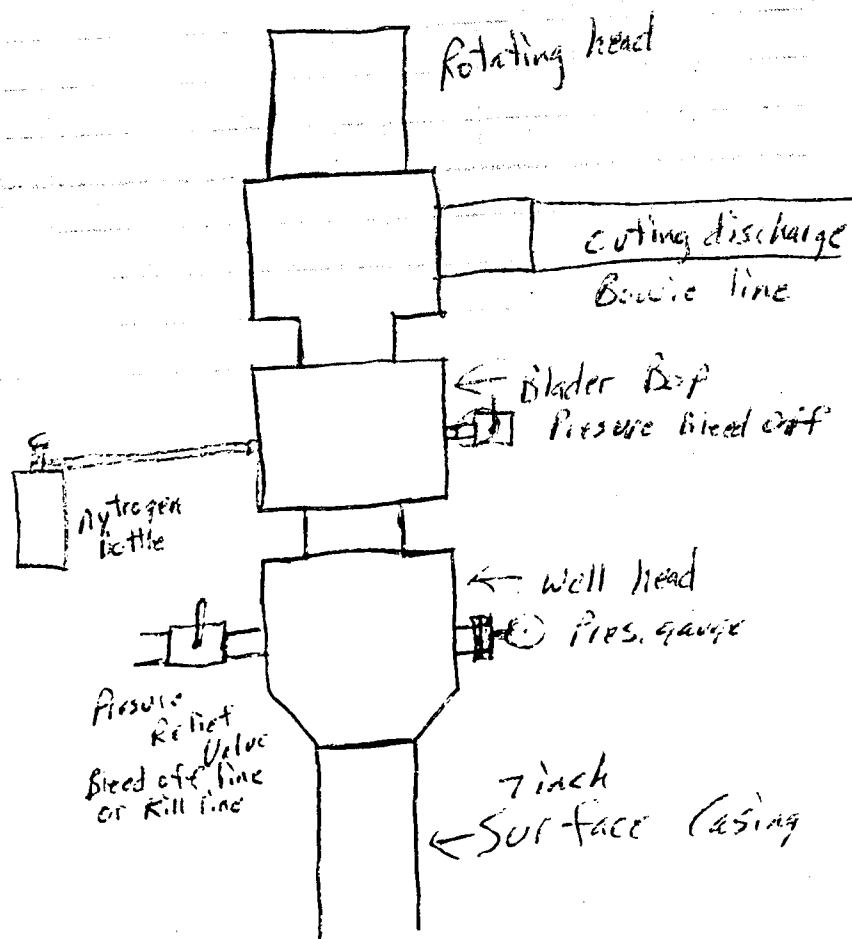
SUN GLASS CO.

NM Lic. No. 5848

Glass Specialist — Auto — Home — Commercial

602 West Main — PHONE 327 - 9677

Farmington, New Mexico 87401



YOUR BUSINESS IS APPRECIATED